(2)

No. 04-528

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In The Supreme Court of the United States

WOMACK+HAMPTON ARCHITECTS, L.L.C.,

Petitioner,

v.

METRIC HOLDINGS LIMITED PARTNERSHIP, *et al.*,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Fifth Circuit

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Does an unambiguous non-exclusive license to reuse copyrighted architectural drawings, in which owner agrees not to "use, copy or cause to have copied" the drawings on other sites without payment of a fee, permit owner to hire other architects on other sites at which owner wants to reuse the drawings?

CORPORATE DISCLOSURE STATEMENT PURSUANT TO SUPREME COURT RULE 29.6

The corporate parent of Respondent TCR Operating Company, Inc., and Respondent South Central RS, Inc., is Respondent Trammell Crow Residential Company.

The following Trammell Crow Entity Respondents do not have a parent corporation and there is no publicly held company that owns 10% or more of their stock: Metric Holdings Limited Partnership, Trammell Crow Residential Company, TCR Metric, L.P., TCR South Central, Inc., TCR South Central 1995, Inc., TCR South Central Division, L.P., TCR Metric Construction Limited Partnership, and TCR Los Rios Limited Partnership.

Respondent Chiles Architects, Inc., does not have a parent corporation and there is no publicly held company that owns 10% or more of its stock.

Respondent SDT Architects, Inc., does not have a parent corporation and there is no publicly held company that owns 10% or more of its stock.

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OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

Trammell Crow,[1] Chiles,[2] and SDT[3] respectfully submit that the Petition for Writ of Certiorari of WHA[4] should be denied.

INTRODUCTION

WHA seeks review of the Fifth Circuit decision by positing a flawed premise and then claiming a false conflict.

WHA misstates the Fifth Circuit decision construing the specific language in a license to reuse copyrighted architectural drawings, and then, based on its misstatement, claims that the decision conflicts with decisions of other courts and with the Copyright Act of 1976. WHA incorrectly states that the Fifth Circuit interpreted the license by guessing at what the parties might have anticipated and by inserting terms into the license where none

[1] "Trammell Crow" refers to Respondents Metric Holdings Limited Partnership, Trammell Crow Residential Company, TCR Operating Company, Inc., TCR Metric, L.P., South Central RS, Inc., TCR South Central, Inc., TCR South Central 1995, Inc., TCR South Central Division L.P., TCR Metric Construction Limited Partnership, TCR Los Rios Limited Partnership, Robert Buzbee, Lewis Bunch, Kenneth J. Valach, Perry Wilson, Chris Wheeler, J. Ronald Terwilliger, John Zeledon, and Tim Hogan.

[2] "Chiles" refers to Respondents Chiles Architects, Inc., and its principal, Gary Chiles.

[3] "SDT" refers to Respondents SDT Architects, Inc., and its principals, Thomas Stovall and Jerry Daniels.

[4] "WHA" refers to Petitioner Womack+Hampton Architects, L.L.C.

existed. WHA then falsely concludes that, contrary to the Copyright Act and case law, the Fifth Circuit decision held that that which is not prohibited in a copyright license is conveyed.

A review of the Fifth Circuit decision makes clear that the court applied well established canons of contract construction to the language in the license and that the decision below is entirely consistent with the Copyright Act and the decisions of other courts.

Respondents Trammell Crow, Chiles, and SDT submit that review by this Court is not necessary because the decision below interpreting specific language in a license is based on application of well settled legal principles, is entirely consistent with applicable statutory and case law, and is correct.

STATEMENT OF THE CASE

WHA filed a copyright infringement action against Trammell Crow and Chiles in the Western District of Texas. WHA filed a second copyright infringement action against Trammell Crow and SDT in the Southern District of Texas. WHA's second copyright action was transferred to the Western District of Texas and consolidated with its first action.

In both actions WHA claimed that Trammell Crow, with Chiles and SDT, infringed its copyrighted architectural drawings by reusing certain of them without permission.

The Owner Architect Agreements between architect WHA and owner Trammell Crow provided:

> IX. OWNERSHIP AND RE-USE OF DOCUMENTS
>
> . . . .
>
> B. The Owner agrees not to *use, copy* or *cause to have copied*, the drawings and specifications prepared for this project on subsequent phases or other sites without proper compensation to the Architect, which shall be based upon a mutually agreed upon of [sic] $150.00 per unit (base architectural fee), plus engineering services, plus *contingent* additional hourly charges and expenses for plan modifications necessary to adapt these plans and specifications to other sites.

(Pet. App. 243a-244a) (emphasis added) Based on the express terms of this license, Trammell Crow moved for partial summary judgment that WHA's damages were limited to the reuse fee in paragraph IX(B) of the parties' agreement. (Pet. App. 205a-206a) The district court referred this motion to the magistrate judge who recommended granting it because the language in paragraph B "expressly and unambiguously provides that Trammell Crow may 'use, copy or cause to have copied, the drawings and specifications prepared for this project *on subsequent phases or other sites*,' emphasis added, if it properly compensates Womack + Hampton." (Pet. App. 181a) After the cases were consolidated, the magistrate judge issued an amended report and recommendation which expanded the same conclusion to the claims related to SDT's use. (Pet.

App. 166a, 172a) The district court accepted the magistrate judge's recommendation. (Pet. App. 25a, 27a-28a)

Trammell Crow, Chiles and SDT then filed motions for summary judgment on all of WHA's copyright infringement claims. (Pet. App. 159a, 151a, 121a) The magistrate judge recommended granting the motions because "[t]he grant of a nonexclusive license to use copyrighted material acts as a waiver by the copyright owner to sue the licensee for copyright infringement." (Pet. App. 112a, 117a) The magistrate judge also rejected WHA's claim that Trammell Crow was required to hire WHA on any subsequent project for which Trammell Crow wanted to reuse the architectural drawings. Disposing of WHA's claim, the magistrate judge stated:

> Plaintiff's argument, however, fails to consider the *plain language* of the Owner Architect Agreements. The Crow Defendants [Trammell Crow] were authorized to "use, copy or cause to have copied . . . on subsequent phases or other sites" the architectural drawings at issue. Plaintiff apparently interprets these provisions to prohibit the Crow Defendants from employing any third party to effectuate the actions permitted by the Owner Architect Agreements. This interpretation is clearly strained in view of the language permitting use of the plans on another site and the reference to "cause to have copied."

(Pet. App. 118a) (emphasis added) In other words, if WHA was retained as the architect on other sites at which Trammell Crow wanted to reuse the drawings, then WHA was entitled to payment of a per unit reuse fee plus additional compensation for any additional engineering services and plan modifications. (*See* Pet. App. 237a-239a)

If WHA was not the architect, then WHA was only entitled to a per unit reuse fee. The district court accepted the magistrate judge's recommendation and entered summary judgment in favor of Trammell Crow, Chiles and SDT. (Pet. App. 21a, 24a) The district court also rejected WHA's argument that only WHA could be the architect at other sites at which drawings were reused, stating:

> The Magistrate found that employing Womack+ Hampton's interpretation would bar the Crow Defendants [Trammell Crow] from employing a third party copy service to make the copies. Such an interpretation *directly contradicts the terms of the "re-use" clause* and is therefore unreasonable. This Court agrees.

(Pet. App. 23a) (emphasis added) The district court entered final judgment against WHA. (Pet. App. 19a)

WHA appealed to the Fifth Circuit Court of Appeals. The Fifth Circuit was persuaded by Trammell Crow's and Chiles' argument that "the reuse clause would be meaningless (and pointless) if it limited the reuse to WHA; WHA already had the right to reuse." (Pet. App. 9a) Relying on the express terms of the license agreement, and consistent with the parties' rights under the Copyright Act, the appellate court also rejected WHA's claim that Trammell Crow was required to hire WHA on other sites at which Trammell Crow wanted to reuse the drawings.

The Fifth Circuit distinguished *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081 (9th Cir. 1989), noting that the reuse clause in the Owner Architect Agreements was much broader than the clause in *S.O.S.* (Pet. App. 10a) and that "[u]nlike the contract in *S.O.S.*, the [Owner Architect]

Agreement refers to copyright, and the parties were addressing reuse of the plans themselves, not of the information derived from a copyrighted work." (Pet. App. 10a-11a)

The Fifth Circuit concluded:

> Even construed narrowly, the contract language does not support WHA's interpretation that TCR [Trammell Crow] was required to use WHA on any future reuse of the plans. The Agreements provided that TCR could reuse the work and also required it to pay WHA a fee to do so.

(Pet. App. 13a)[5] The judgment of the district court was affirmed. (Pet. App. 1a, 18a)

WHA's disagreement is not with the analysis or reasoning of the Fifth Circuit, but with the unambiguous language in the license it drafted and to which it agreed.

REASONS FOR DENYING THE WRIT

The decision below concerning the scope and meaning of specific language in a license to reuse copyrighted architectural drawings does not conflict with decisions of other courts or with the Copyright Act. The Fifth Circuit fully considered and correctly decided the issues before it.

[5] The Fifth Circuit also rejected other arguments by WHA, such as WHA's claim that payment of the reuse fee was a condition precedent to Trammell Crow's right to reuse drawings. (Pet. App. 15a)

I. Misstatements in WHA's Petition.

Pursuant to SUP. CT. R. 15(2), Trammell Crow notes the following misstatements in WHA's Petition.

WHA incorrectly states that the Fifth Circuit "recognized that the *express* terms of the Owner/Architect Agreements between Petitioner and Respondent TCR were exceeded when TCR used architects other than Petitioner to re-use and modify plans for two apartment complexes," (Petition 7) (emphasis in original), and that the court based its decision on terms which were not found in the parties' agreement and in fact "were contradicted by the express wording of the licenses." (Petition 7) *See also* Petition 9. This is incorrect. Nowhere does the Fifth Circuit decision state that Trammell Crow's use exceeded the scope of its license. To the contrary, the Court concluded that "[e]ven construed narrowly, the contract language does not support WHA's interpretation that TCR [Trammell Crow] was required to use WHA on any future reuse of the plans." (Pet. App. 13a) The court expressly stated that "[t]he use here is consistent with the license." (Pet. App. 16a)

WHA also incorrectly states that to reach its decision the Fifth Circuit inserted additional terms of conveyance into the license where none were agreed to by the parties (Petition 10-11, 13), that the court's decision was based only on what the court thought the parties "may have 'anticipated'" might occur (Petition 8), and that the court concluded that "a use not licensed . . . may be conveyed, *sub silentio,* to the licensee even where such implied conveyance plainly exceeds the scope of the parties' express and unambiguous agreement." (Petition 9) This, too, is

incorrect. In fact, the Fifth Circuit relied on the express language of the license to conclude that the use complained of by WHA was authorized and within the scope of the license granted Trammell Crow. The Fifth Circuit noted that use of architects other than WHA was entirely consistent with, and gave meaning to, language in the parties' agreement. (Pet. App. 16a) To have held otherwise would have been to ignore express terms in the license.

It is hornbook law that use consistent with a license is a defense to a claim for copyright infringement. *E.g.*, *Lulirama Ltd. v. Axcess Broadcast Servs., Inc.*, 128 F.3d 872, 879 (5th Cir. 1997); *see Henry v. A. B. Dick Co.*, 224 U.S. 1, 24 (1912). Based on the express terms of the license, the Fifth Circuit concluded that Trammell Crow's, Chiles', and SDT's use of the drawings was consistent with the license granted by WHA.

II. There is no conflict between the Fifth Circuit decision and decisions of this Court and other circuits.

WHA incorrectly claims that the Fifth Circuit decision is at odds with decisions from the Second and Ninth Circuits, the Court of Federal Claims, and this Court. (Petition 8) To support its claim, WHA ignores express terms in the license it granted Trammell Crow and cites cases involving contract language materially different from that at issue in the decision below.

WHA incorrectly claims that the Fifth Circuit decision conflicts with the Ninth Circuit's holdings in *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081 (9th Cir. 1989), *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851 (9th Cir. 1988),

and *Beckman Instruments, Inc. v. Cincom Systems, Inc.*, Nos. 99-55111, 99-55453, 2000 WL 1023224 (9th Cir. July 25, 2000), *cert. denied*, 531 U.S. 1150 (2001) that rights not expressly conveyed in a license agreement are retained by the copyright holder. Although the legal principle may be sound, the license language at issue in these cases is very different from that in the decision below.

For example, the specific language in the *S.O.S.* license permitted the use of a software program but did not permit copying and preparation of a modified version of the program. 866 F.2d at 1088-89. In *S.O.S.*, stolen software was materially altered. The Fifth Circuit discussed, and distinguished, the *S.O.S.* case, observing that "[u]nlike the contract in *S.O.S.*, the [Owner Architect] Agreement refers to copyright, and the parties were addressing reuse of the plans themselves, not of the information derived from a copyrighted work." (Pet. App. 10a-11a)

The specific language in the *Cohen* and *Beckman* licenses was also materially different from the language at issue in the decision below. *Cohen*, an "advancement in technology" case, determined that the language in a 1969 license to exhibit a motion picture "by means of television" did not allow distribution of videocassettes of the film for home viewing. The court stated "[p]erhaps the primary reason why the words 'exhibition by means of television' in the license cannot be construed as including the distribution of videocassettes for home viewing is that VCRs for home use were not invented or known in 1969, when the license was executed." 845 F.2d at 854. The Fifth Circuit decision below did not involve interpretation of a license in the context of an advancement in technology. The specific license language in the unpublished *Beckman* case explicitly prohibited the licensee from "selling, giving or leasing"

software to anyone without licensor's express written approval. 2000 WL 1023224 at *1. There is no such limiting language in the license to reuse architectural drawings at issue in this case.

Gilliam v. American Broadcasting Companies, 538 F.2d 14 (2d Cir. 1976), and *Inslaw, Inc. v. United States*, 40 Fed. Cl. 843 (Fed. Cl. 1998), are also inapposite. The licensee in *Gilliam* sought to alter recorded programs even though the operative document withheld the right to "alter a program once it has been recorded." 538 F.2d at 17. *Inslaw* involved limitations on a license to, among other things, "publish, translate, reproduce, deliver, [and] perform" litigation management software. 40 Fed. Cl. at 854. In the decision below, the license specifically allowed Trammell Crow to reuse Womack's drawings on other sites for payment of a fee.

WHA's claim that the decision below conflicts with the decisions of other courts arises from the false premise that Trammell Crow's use of WHA's drawings was outside the scope of the license. This false premise leads it to incorrectly claim that the decision below conflicts with *Henry v. A.B. Dick Co.*, 224 U.S. 1 (1912). (Petition 9) In *Henry*, where the patent owner of a mimeograph machine was lawfully allowed to restrict the ink used with the machine to ink which it manufactured, a person with knowledge of the restriction who sold a third party's ink for use with the machine was found to be a contributory patent infringer. The decision below is not at odds with *Henry* because the specific language in this license expressly allowed reuse of the subject drawings.

WHA can only claim conflict with decisions of other courts by removing words from the license (such as the

word "contingent") and replacing them with other words (such as the word "guaranteed"), and ignoring the phrase in the license allowing Trammell Crow to "cause to have copied" the drawings. No court has ever held that unambiguous contract language must be disregarded. In fact, as WHA is well aware, if only WHA were authorized to act as architect at other sites, as it claims, there would be no need for paragraph IX(B) at all because WHA always has the right to reuse drawings it owns. WHA's reading of the license renders paragraph IX(B) superfluous.

There is no conflict between the Fifth Circuit decision and decisions of other courts.

III. There is no conflict between the Fifth Circuit decision and the Copyright Act.

WHA's suggestion that the decision below construed the parties' license agreement in a manner inconsistent with the Copyright Act is also erroneous. The Fifth Circuit properly cited *Fantastic Fakes, Inc. v. Pickwick International, Inc.*, 661 F.2d 479, 483 (5th Cir. 1981), and *Kennedy v. National Juvenile Detention Association*, 187 F.3d 690, 694 (7th Cir. 1999), for the principle that state law provides the rules of contract construction so long as they do not conflict with federal copyright law. (Pet. App. 7a)[6] This is entirely consistent with *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229 (1964). The Fifth Circuit correctly noted that courts are to give contract terms their plain,

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[6] Indeed, the Ninth Circuit in *S.O.S., Inc. v. Payday, Inc.* cites the Fifth Circuit's *Fantastic Fakes* decision for this principle. 886 F.2d at 1088. *See also Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150, 153-54 (2d Cir.), *cert. denied*, 393 U.S. 826 (1968).

ordinary and generally accepted meaning when interpreting unambiguous contracts, and observed that "[i]n the ordinary case, the writing alone will be deemed to express the intention of the parties," *citing Sun Oil Co. (Del.) v. Madeley*, 626 S.W.2d 726, 727-28 (Tex. 1981). *See also Heritage Resources, Inc. v. NationsBank*, 939 S.W.2d 118, 121 (Tex. 1996). (Pet. App. 8a)

WHA argues for a reading of the license which contradicts or ignores language in the license, thereby violating the canon of contract construction that all words be given a reasonable meaning and not be ignored or rendered superfluous. The suggestion that the Fifth Circuit decision interpreting the license is inconsistent with the Copyright Act is unfounded.

IV. There is no good reason for certiorari to be granted in this case.

There is no compelling reason to grant WHA's petition for writ of certiorari to review the interpretation of a contract clause in the decision below. SUP. CT. R. 10. The decision below is not in conflict with the decision of another court of appeal. SUP. CT. R. 10(a). The decision below does not depart from the accepted and usual course of judicial proceedings as to call for an exercise of this Court's supervisory power. SUP. CT. R. 10(a). Nor has the Fifth Circuit decided an important federal question in a way that conflicts with relevant decisions of this Court. SUP. CT. R. 10(c).

Suggestions by WHA to the contrary are without legal or factual basis.

CONCLUSION

For the foregoing reasons, Respondents Trammell Crow, Chiles, and SDT submit that the petition for writ of certiorari should be denied.

Respectfully submitted,

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